

Mr. Chairman and members of the subcommittee, thank you for inviting me to come back before you and report on the state of the Army Corps of Engineers. I have a prepared statement that we have furnished you and I ask that you make it part of the record. In my remarks this morning I very much appreciate the opportunity to speak out in defense of the Corps and its 35,000 dedicated military and civilian public servants. They are all deeply concerned about what they read in the newspapers. The reason is that they don't recognize their Army Corps of Engineers in the words they read. Sir, neither do I.

The Army Corps of Engineers is charged in the press as a rogue agency, out of control, too cozy with Congress and living by its own rules. Those allegations are absolutely false.

The Army Corps of Engineers has been publicly labeled that it cannot be trusted to do an objective study. The facts do not bear that out; it is simply not true.

We have been painted as being insensitive to the environment when the fact is that 20 percent of our Civil Works program is dedicated to the environment. This percentage is growing.

Language in the President's budget speaks to serious questions that have been raised about the quality, objectivity, and credibility of Corps reports on the economic and environmental feasibility of proposed water projects. We welcome the opportunity to speak to these questions and to take action to address any and all findings of merit. In the

case of the Upper Mississippi and Illinois Navigation Study, we are responsible to forecast economic activity 50 years into the future. It is very, very difficult to try to model this far ahead and I'm not convinced anyone has the tools to do this. I take very seriously both the results of the Army Inspector General report on the Upper Mississippi and the report of the National Academy of Sciences.

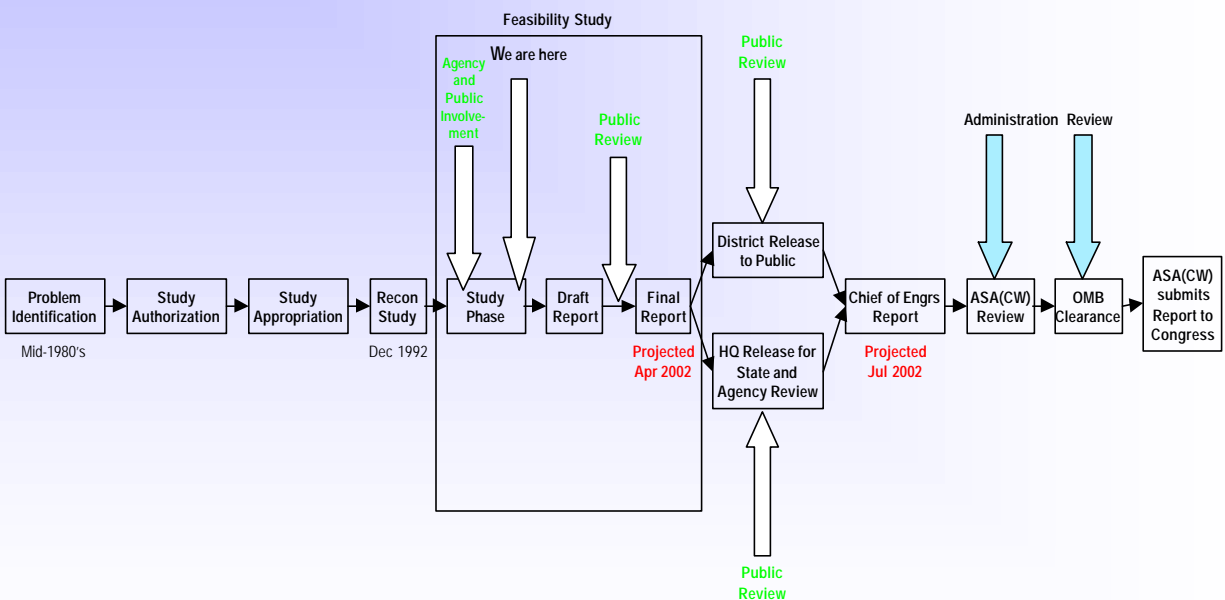
Having said that, the public needs to be better informed about the circumstances surrounding this study.

(Show study timeline chart)



U.S. Army Corps
of Engineers

Civil Works Project Development Process (Upper Mississippi Navigation Study)



I am making substantive changes to the procedures used for this study. I must ensure the integrity of our study process.

There were no findings of fraud or waste. Good and decent Americans are involved on all sides of this issue.

The study, as indicated on this chart, when interrupted by “Whistleblower” allegations, was far from complete and had yet to undergo several serious reviews.

The National Academy of Sciences found that the model for economic analysis was flawed. In fact, the Academy’s report said that its shortcomings were so serious that the model should not have been used. Dr. Sweeny, the lead Corps economist on the study, developed this model. It was this emerging realization that caused much of the tension between the parties involved in the allegations. And, despite the enormous complexity, the goal of our study process is to produce the best economic and scientific analysis available for the management of our nation’s water resources.

Let me tell you the situation I found when I took over as Chief last October. I found a fundamentally sound organization whose people possess an amazing breadth and depth of professional and technical capability, and who continue to persevere in providing sound solutions to the nation’s water resources problems, despite being surrounded by controversy. Over the past year, we have been maligned in the press. Congressional committees, our own Army Inspector General and the National Academy of Sciences

have investigated us. We have had our credibility assailed and our integrity questioned. Morale is suffering as a result.

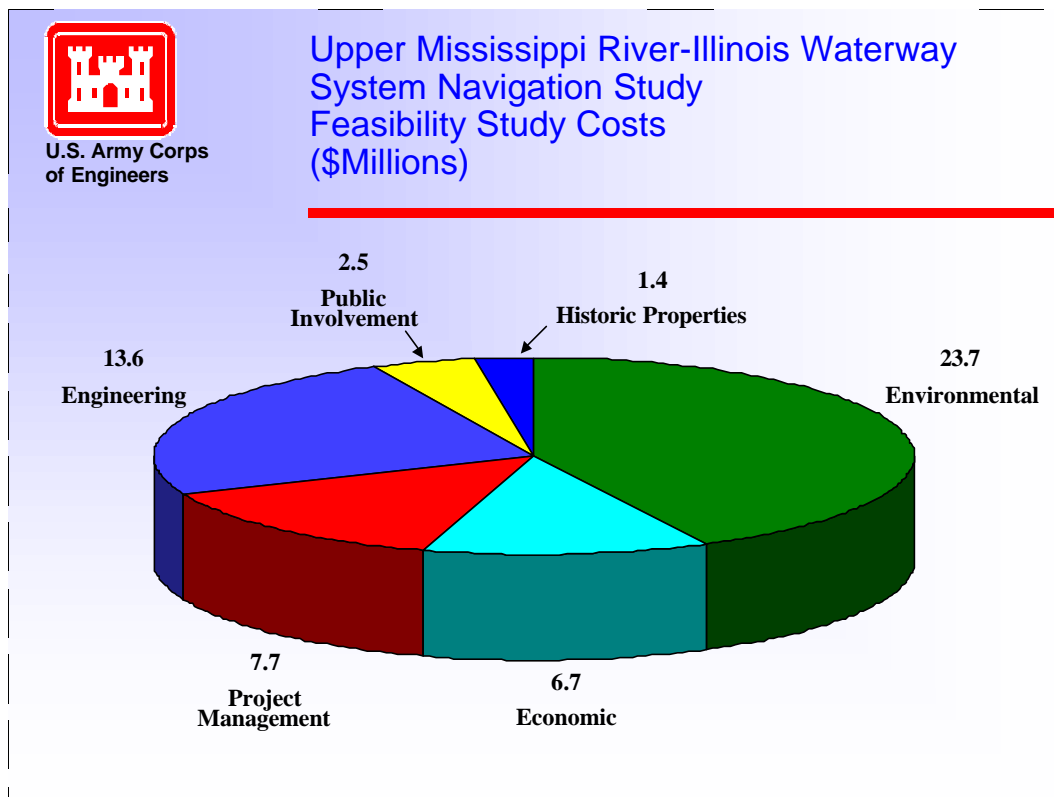
For over 200 years, the Congress and the American people have put their faith and confidence in the ability of our agency to respond to and solve some of our most complex national problems. Today I want to assure you the Army Corps of Engineers is an agency of integrity with people of high character who return real value to the nation. The Corps has sound systematic processes that consistently provide decision-makers – the Congress, the Administration and the American people -- with solid recommendations based on sound engineering, scientific fact and objectivity. Our processes are not just Corps processes. They are Federal processes that are used throughout the government in the water resources arena. We work in an open atmosphere and collaborate with many stakeholders. We have been and remain willing to incorporate improvements to get better answers. Our intent is to achieve a synergy between economic objectives and environmental values. Toward this end, in April of last year, we improved our planning guidance, and this has clarified our ability to develop projects for environmental restoration. I pledge that we will continue to improve this process.

Let me now address more specifically some of the questions that have been raised by two investigations of the Corps study of the Upper Mississippi River-Illinois Waterway.

I believe many of the problems occurred for one simple reason — people were trying to do the right thing, their duty. I think that's an important point to remember as we look at three of the more important findings and recommendations.

The National Academy identified the economic model we were using in the study as a problem. We agree. Within the Corps, we saw that this model was not working and needed change. The internal processes within the Corps were in place, and the Corps leadership intervened. That intervention, however, has been characterized as an attempt to manipulate the outcome. I do not believe it was... and the Academy's report now confirms that the model was flawed.

(Show pie chart for Upper Mississippi)



The Academy also found that despite the nearly \$25 million dollars we spent on environmental studies, we must do more to integrate this information into the project decision-making process. We accept that judgement. I've already talked about the changes we have made in our process to incorporate environmental values in our projects. In partnership with the states and other Federal agencies, we have made strides in understanding the ecology of the Upper Mississippi and in restoring its environmental resources. But we can and will do more. We also pledge to more thoroughly examine non-structural alternatives.

I am also taking the following additional actions:

We will go forward with this complex study after assessing the findings in the Inspector General's report and the National Academy of Sciences report and refocusing and restructuring the study team.

I am also establishing a Washington-level principals group, composed of senior people from other key federal agencies. The Corps will continue to lead the study, but this group will provide national-level balance and guidance on important economic and environmental issues. (The principals group met for the first time yesterday.)

We are also convening a similar group at the regional level composed of our own Corps professionals, those from other agencies, the states and non-governmental organizations such as industry and environmental groups.

Finally, given the regional and controversial nature of this study, I am placing the study team under the direct supervision of the commander of the Mississippi Valley Division — a general officer.

Let me get back to the findings. One that I want to address specifically is that the Corps provided inappropriate access to the barge industry.

The facts do not bear this out.

Public involvement began early in the study. There have been 34 public meetings with over 2400 attendees and 2500 comments. Mailings went out to almost 10,000 individuals, agencies and stakeholders. And, there is still much more to come.

It's important to remember that the users -- the barge industry in particular -- will be paying for half of the construction of any possible solution, and the improvements will ultimately have a great impact on their cost of doing business. It is incumbent upon us to provide them access to the study and to consider their input. We've also provided similar access to environmental groups and other stakeholders throughout the study process. We welcome and we use the input we receive from all interest groups and individuals.

The Corps takes the findings of these two reports very seriously. We clearly understand our responsibility for providing you with the best environmentally sustainable alternatives possible and we will do so.

Let me move to the broader issue. During the review of the Upper Mississippi study, sweeping generalizations unfairly characterized the entire Corps study process.

Two facts are important:

First, the conclusions reached were based on one study in one division. It is one of the largest and most complex studies we have ever undertaken, but it is still only one study. We have done thousands of important studies over the years.

Second, a 1999 National Academy of Sciences report found our study process to be fundamentally sound.

One of my major objectives is to guarantee that you continue to have confidence in my organization and our products. It is critical that we continue to provide valuable services for the American people.

Therefore, I am proposing:

As soon as possible, establishment of an independent review panel for large, complex or controversial studies. We are still working on the details of this initiative, but it will be a mixed group of Corps senior leaders and outside independent experts. They will provide me a separate assessment before I forward my report to the Assistant Secretary. This proposal would be an interim step while we await results from the WRDA 2000 mandated National Academy of Sciences review.

Additionally, I am re-instituting the Chief's Environmental Advisory Board next month. In the past, this group of experts helped move Corps thinking and processes to achieve a more environmentally sustainable philosophy. They will again play a key role and I look forward to hearing from them.

Before concluding I want to briefly return to the charges that have been leveled at the Corps.

Are we a "rogue agency"— outside effective Executive Branch control and "too cozy with Congress"?

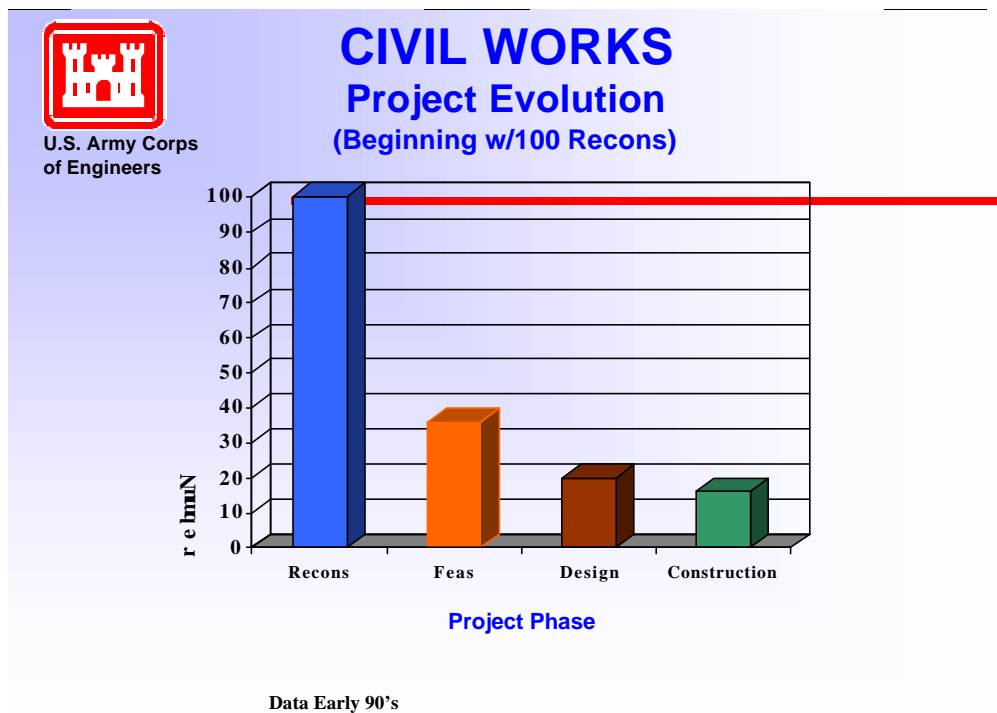
Absolutely not. We are a military organization under the civilian leadership of the Assistant Secretary of the Army for Civil Works and the military supervision of the Chief of Staff of the Army. When I came on board last year, I co-signed a letter with the Assistant Secretary that reiterated this relationship and our individual roles and responsibilities. I would submit that the entire Corps program is subject to a higher level

of Executive Branch and Congressional oversight than any other form of Federal activity. Corps projects are separately authorized in a bill passed by Congress and signed into law by the President. Every project is reviewed annually by both the Administration and the Congress as part of the appropriations process before it can progress. Each is also subjected to a benefit-cost analysis that is unique among federal agencies.

The second charge is that the Corps cannot be trusted to do an objective study and has a bias for construction.

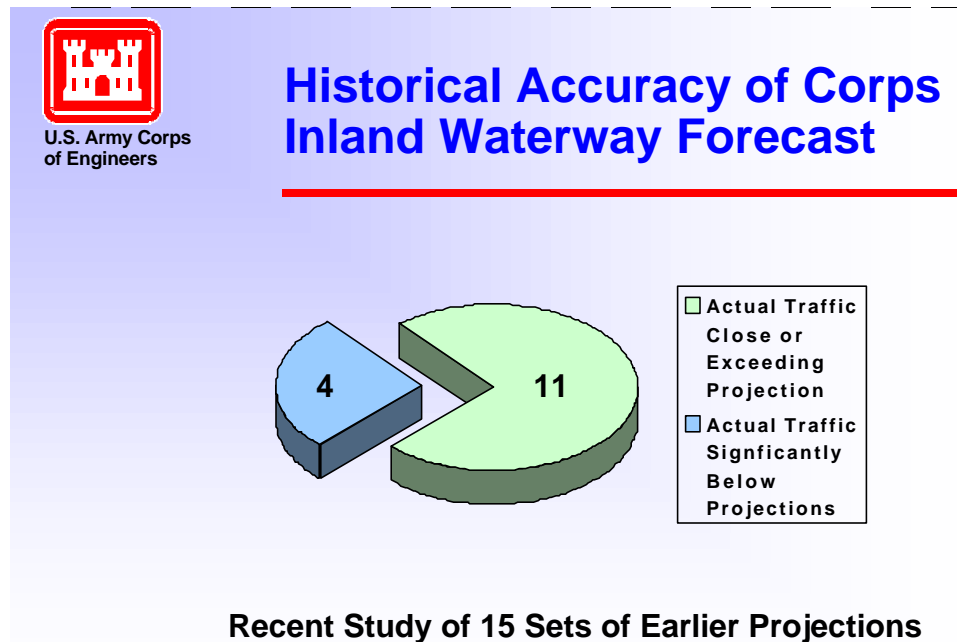
The facts tell a different story—this is what we know is true.

(Chart on project evolution)



We know that of every 100-reconnaissance studies undertaken only 16 result in actual construction. Five of six are weeded out. This is a pretty tough wicket to get through.

(Chart on navigation forecasts)



We examined 15 cases where we projected usage on the inland waterway system, and the overwhelming majority shows actual traffic was close to or exceeded the projections. Only in four cases was traffic significantly below projections. Keep in mind that we're attempting to predict conditions well into the future.

Another charge is that our projects benefit a few well-connected beneficiaries such as large agricultural interests, barge companies, and foreign ship owners.

The facts don't support the charge. In all of our major mission areas, the benefits the Corps program provides are widespread. For example:

- 98% of the nation's international trade comes through Corps-maintained channels at the nation's ports, and this provides jobs for 13 million Americans.
- Since 1959 Corps of Engineers projects have prevented nearly \$500 billion dollars in flood damages across the country, returning nearly \$6 dollars in benefits for every \$1 invested.
- The Corps hosts 380 million visitors a year at recreation sites providing boating, swimming and fishing.
- We produce 24% of the nation's hydropower. This power has a very high demand today.
- Your investment in the Army Corps of Engineers produces a 26 percent annual rate of return and has put \$30 billion dollars in tax revenues and savings into the Treasury.

Finally, we are accused of continuing insensitivity to the environment.

This is absolutely unfounded. Again, our environmental program now constitutes 20% of the overall Civil Works program, and is growing. Projects with environmental benefits as the principal output now comprise the largest number of study new starts – more than navigation or flood control. Over the many years the Corps has been working in our

country, society's needs and values have changed, and we have too. We have fully integrated environmental values into every phase of our program. We routinely solve problems in ways that also benefit the environment.

My view from five months on the job is that the Corps continues to be an organization with the highest integrity and remains a critical part of solving our country's problems—today and in the future. It's an organization that has changed in the past, and is willing to again – providing that the change will result in improvement. We do not work alone. You in the Congress, the Administration, interest groups and citizens are all important to solutions. As our critics have chided us in the past, I would ask that they work with us in the future—for the well-being of our citizens and the environment in which we live.

Mr. Chairman, that concludes my remarks and I'm ready to respond to your questions.